

# ABERHART AND ALBERTA

THE FIRST PHASE

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# ABERHART AND ALBERTA

## THE FIRST PHASE

BOTH among the advocates and opponents of Social Credit there are few topics of such interest as the events which have happened and are happening in the Province of Alberta. Unfortunately, the information available is usually gleaned from newspapers, which are not concerned so much with discussing the possibilities of a successful experiment in new economics as with discrediting the innovation and assuring their readers that it will undoubtedly fail, if indeed it has not failed already.

It is therefore thought desirable to issue a short statement of the actual facts with which to meet the question so often uttered as a challenge: "What about Alberta?"

### I. THE BACKGROUND

The most westerly Province of the Dominion of Canada is British Columbia. Separated from British Columbia by the range of the Rocky Mountains lies Alberta. To the east of Alberta lies Saskatchewan; on the south is Montana in the United States, and on the north are the barren North-west Territories. Alberta has an estimated area of 255,285 square miles, which is rather more than twice the total area of England, Scotland, Wales and Ireland (including the Free State). The population of Alberta, according to the Dominion census of 1931, was 731,605, or about one-seventieth of the population of the British Isles.

The Province is mainly agricultural, the total area devoted to field crops being 13,451,400 acres in 1935. The value of the field crops in 1935 was estimated at approximately 98 million dollars, while in 1934 the gross value of the output of manufactured articles was just under 70 million dollars. The Provincial revenue for 1935-36 was 16½ million dollars, while the expenditure was 18½ million dollars. The gross bonded-debt of the Province on March 31st, 1936, was 153,567,010 dollars.

The capital of Alberta is Edmonton, with a population of 85,676. Calgary has a population of 83,304, and there are other smaller centres of population. The Government of Alberta is vested in a Lieutenant-Governor and a legislative assembly, composed of sixty-three members, elected for a five-year period and representing fifty-three constituencies. The executive council consists of nine members.

Alberta has a Provincial bonded debt of over 200 dollars per head. This may be contrasted with the bonded debt of Quebec, which is 57 dollars per head of the population. Besides this Provincial debt there is a Dominion Government debt of approximately 300 dollars per head, and other debts, both internal and external, of various local authorities.

In addition Alberta, as a wheat-growing area, has its own special difficulties.

"The Great War, with its high prices for wheat, led to the tearing up of the prairie sod and the indiscriminate production of wheat. With the post-war slump in prices, the prairie knew depression before the Great Depression, and in particular felt the burden of debt. The fear of war, the rise of economic nationalism, and the desire for autarchy upon the part of her customers, has raised severe problems for all Canada. Meanwhile, the wheat-growing West has run the gamut of agricultural misfortune since 1928. First it had bumper crops which did not sell: then it had a huge carry-over and disastrously low prices. Now it has drought, and is within sight of scarcity." (*The Spectator*, October 23rd, 1936.)

Although Alberta's debt works out at considerably less than the £165 per head which represents the national debt of Great Britain at the present time, it must be remembered that the industrial productivity of Great Britain enables her to carry a load of debt far more easily than can a sparsely populated, mainly agricultural, community such as Alberta. There is also another very important distinction to be borne in mind. The national debt of Great Britain is approximately 87% internal and 13% external debt. Payment of interest on an internal debt is a matter of taxation and redistribution within the country; this may mean hardship to many citizens, but at least it does not entail an obligation to pay money to persons outside the debtor community. Unfortunately, the greater part of Alberta's debts is external, and, if we are to believe a report contained in the *Edmonton Bulletin*:

"For the past two years thousands of dollars a month in high interest rates on public and private debts and in insurance premiums have gone East, with no money coming back."

Since 1921, the political party in power had been the United Farmers of Alberta, which, although comparatively progressive in its ideas, was not an unqualified success. Under them the old financial system with its continuous accumulation of debt made conditions ever increasingly intolerable.

To turn from the financial to the physical picture we find that Alberta produced more than enough wheat to supply the other eight provinces, with something left over for Europe, while many Albertans lacked buying power to maintain the bare necessities of life; that there were bulging elevators and not enough bread; that cattle were unsaleable, while thousands of city dwellers found it hard to obtain meat; that Albertan bacon was shipped six thousand miles to supply the breakfast tables of England, while Albertan breakfast tables were baconless, because bacon at 35 or 40 cents per pound was beyond the purse of the average family. The time was ripe for something drastic to happen.

## II. ABERHART

It is impossible to understand the course of events in Alberta without knowing something of the man who, more than any other, was responsible for the great awakening.

"William Aberhart combines the zeal of the old-time evangelist with a keen insight into human attitudes and values. Those who prophesied an early collapse of the whole Social Credit Movement in Alberta did not know their Social Credit or their man. . . ." (*Stark\** p. 4.)

"Premier Aberhart believes in God implicitly with the unquestioning faith of a little child. . . . He believes the Bible literally from cover to cover. It is his textbook and guide on all matters of life or death. In addition to his Social Credit followers, thousands regard him as an authority in matters biblical. To this inner circle of reverent followers, Mr. Aberhart is always at home. . . ."

\* *Social Credit in Alberta*, by Rev. James H. Stark, of Veteran, Alberta. A timely and interesting pamphlet from which much of the information here given has been obtained.

"William Aberhart is a great believer in radio broadcasts. He found the radio mighty useful in putting over his gospel message, and to Aberhart Social Credit is only the gospel in one of its aspects. Like the Old Testament prophets, he does not think of his message as being essentially different in its application to the individual or the state. If Social Credit is applied Christianity, as he has stated so often and fully believes, why confine it to week-days? Surely, Sunday is a day of leisure, when people have time to think seriously of their problems. . . . His is a seven-day gospel that touches life at all points. . . .

"With his fellow-worker and spiritual heir, Ernest C. Manning, he directs half a dozen organizations outside his governmental duties, including a radio Sunday School with over five thousand scholars, a Back-to-the-Bible Club, a Bible College, where young people are trained for religious leadership, and many others, including a weekly Bible Class. His amazing powers of endurance have surprised friends and enemies alike, and his capacity for work knows no limit. While still Principal of a High School in Calgary, he found time to answer thousands of letters from those who propounded questions either on Social Credit or the Bible." (*Stark*, pp. 4, 5.)

Not unnaturally Aberhart, for a time, provided a figure of inexhaustible fun for those so minded.

"His weekly sermons at the Prophetic Bible Institute, in Calgary, with their odd mixture of fundamentalist theology and heterodox economics, were quite as amusing as Hitler's notions of ethnology—before the Nazis came to power. When Aberhart won his remarkable victory, in August 1935, the pundits developed an attitude of amused toleration towards him. He would be sobered by the responsibilities of office, they said, and his Government would end up by being as conservative as that of the United Farmers which it had supplanted. Since then, however, they have received a succession of shocks." (*The Spectator*, October 23rd, 1936.)

### III. PREPARATION FOR VICTORY

The strength of the Alberta Social Credit Party lay in the numerous study groups scattered all over the Province.

"These groups sprang up like magic, beginning with the itinerancy of Aberhart and Manning about the year 1933. To study economics with special attention to Social Credit theories was the purpose for which the groups came into being. It is significant that many groups that had started out as plain study groups . . . gravitated naturally and inevitably towards the Social Credit solution. Finally, they decided to give this new theory their backing.

" . . . Later the groups met in constituency gatherings, and finally in provincial conventions. Then, and not till then, did Social Credit



become a definite factor in the bid for political power. In two conventions held in Calgary and Edmonton they determined to test out their theories in actual practice. William Aberhart, B.A. was elected their leader. They organized their campaign carefully and swung into action in the ensuing election better equipped and prepared than any other group or party in the Province." (*Stark*, p. 6.)

At first, the new movement was, naturally enough, regarded by those outside it with indifference, possibly tempered with amusement. Gradually it became apparent that Aberhart was gaining adherents at immense speed, and was becoming a real menace to the existing political parties. Finally, some attempt at opposition began to be organized, fatally weakened, however, by the fact that no other party had any constructive plan to offer.

Indeed, the feature of the campaign was the complete futility of the orthodox political speakers and writers. All they had to offer were platitudes: and what were these in face of the glowing promises of the Social Credit Party of 25 dollars per month to everyone, employed or unemployed, young or old?

Actually, Alberta's fifth political party was launched early in April 1935.

"A week-end convention at Calgary, attended by 170 delegates from all parts of the southern half of the province, approved ten planks in the party platform, decided to enter candidates for most constituencies, and displayed an almost religious fanaticism, expressing faith in their God-directed leader and the Aberhart version of the Social Credit plans.

"Among outstanding intentions, as revealed by the platform, are the following: Creation of the Province's 'own credit' and the cessation of borrowing from sources outside the Province; distribution of a 'basic dividend' estimated at a minimum of 25 dollars (£5) monthly, the 'distribution to be based upon active willingness on the part of the individual to co-operate in the welfare of the people of the Province; the establishment of a 'just price' for all goods; and 'production loans without interest' to farmers." (*The Times*, April 9th, 1935.)

It was expected that the Provincial election would be held in the latter part of June, so that there was no time to be lost in consolidating the position of the new party. The northern half of the Province had still to be organized, and Aberhart, by means of the wireless service, a large staff of

travelling speakers, and his own weekly propaganda newspaper (*The Social Credit Chronicle*) carried on an intensive campaign, attracting an immense following, especially in the rural districts.

In connection with this work Mr. Aberhart issued a booklet for propaganda use in Alberta, entitled *Social Credit Manual—Social Credit as applied to the Province of Alberta*. It had a sub-title, *Puzzling Questions and their Answers*. More than half the text of the book was devoted to the reproduction of sixty typical questions, with answers. The remainder of the text gave an account of Social Credit in outline and of Social Credit as a remedy. The text, however, covered less than half the booklet; the rest was made up of advertisements. The lay-out of the booklet was so arranged that the left-hand page at every spread was devoted to advertisements, the right-hand page carrying the text, except where advertisements overflowed on to that page also. The range of products and services offered was remarkable, considering that most of the advertisers had their headquarters in the Province. Beauty treatments, carnival specialities, diamonds, typewriters, oils, sheep-dips, gas engines, motor cars, milk, bread, clothes, paints, flowers, and a host of other things were presented for the patronage of the reader. Wherever you opened the booklet you found on the right-hand page Aberhart inspiring would-be consumers with hope, and on the left-hand page would-be providers reminding them of the number of things there are awaiting purchase (cf. *The New Age*, September 12th, 1935).

#### IV. THE ELECTION

Although the Provincial Convention of study groups at Calgary declared, in April 1935, for political action, and appointed Aberhart as their leader, he declined to stand as a candidate at the election. He believed that his energy and influence would be better applied if he assisted the other candidates of the Social Credit Party throughout the Province, rather than if he confined his attention principally to one constituency. He knew quite well that if the people approved of the majority of his candidates, a seat could

easily be found for him later. Although he was the acknowledged leader of the party, and although he threw himself into the battle on behalf of his candidates with all his accustomed fervour, no one knew exactly what attitude he would personally take if his followers were elected.

The candidates adopted by the Social Credit Party were chosen as follows. Three or four possible candidates were selected by the groups of each constituency. These choices were submitted to an advisory committee, consisting of Mr. Aberhart and six other recognized leaders of Social Credit activity. The advisory committee conferred with a committee from each constituency, and one of the nominated candidates was chosen. The candidates were thus all of them men in known accord with Social Credit principles and pledged to Aberhart's leadership. They were, so to speak, "hand-picked" by a method which combined democratic selection with a strict regard for individual qualification.

During the election campaign all parties used the radio as an instrument of propaganda to the full extent of their resources. The Economic Safety League (believed to have been directed and financed from Montreal and Toronto) sprang up and, with seemingly unlimited funds, began a campaign of bitter opposition to the new economic theories.

"Liberals, Conservatives, U.F.A., C.C.F. (Co-operative Commonwealth Federation), and Labour for once found common ground in their opposition to Social Credit. . . . Floods of oratory were released. Propaganda unlimited flowed from radio and Press, and even the Press of other provinces uttered grave warnings against tampering with monetary affairs, pointing out that Alberta's credit was at stake, and perhaps the credit of the whole Dominion. Such a barrage had never before been directed at any social or political group. Unseen forces were directing the attack; thousands of dollars were spent in combating the new monetary teaching. The followers of the Social Credit idea were, on the other hand, comparatively poor men. They were well-informed and well-read for the most part in political economy, but were depending on the nickels and dimes of their followers to carry on the election." (*Stark*, p. 8.)

In face of this opposition and criticism, Mr. Aberhart advised his followers to adopt defensive measures. Apart from its broad principles, Social Credit does not lend itself

to exposition from a public platform, particularly in the course of an electoral campaign where quiet concentrated thought is at a discount and emotional appeal at a high premium. Social Credit propagandists were accordingly warned from headquarters not to allow themselves to be drawn into arguments, possibly on wholly irrelevant details. Only suitable questions were answered at meetings. Even when the election was imminent, and attempts were made to draw Social Credit candidates into argument, the reply was frequently made that Mr. Aberhart had not given permission for such-and-such questions to be answered.

The result of the election on August 22nd, 1935 is well known, and provides a triumphant vindication of the quiet and thorough work of the study groups.

"In spite of the fact that Aberhart had only one newspaper of his own (*The Social Credit Chronicle*), and in spite of the fact that all the daily papers in Alberta were flooded with anti-Aberhart propaganda, the new party swept everything before it. Fifty-six Social Creditors were elected in a legislature of sixty-three members. The U.F.A. party, whose Government had been in office since 1921, were completely disrupted, not electing a single member; while the Liberals and Conservatives between them elected six members. The Reid Government resigned; the Social Creditors in Caucus selected William Aberhart as their leader, and the Lieutenant-Governor called on him to form a Government." (*Stark*, p. 8.)

## V. SOCIAL CREDIT

What, then, was this Social Credit in which Aberhart and his followers had such faith, and to which they looked to produce in Alberta a condition of prosperity and wealth instead of the poverty and debt to which the people were by this time so lamentably accustomed?

Social Credit is a term generally used to denote the theories, principles and proposals associated with the name of Major C. H. Douglas, and propounded and elaborated in his writings and the writings of his followers.\* It consists of an analysis of the present economic and financial position, defines the proper objective of any sane economic system, enunciates the principles which must form the basis of any

economic system directed towards this objective, and, finally, indicates the broad lines on which the principles might be put into operation. No actual administrative plan is included as part of Social Credit, although there have been put forward from time to time illustrative schemes designed to show how Social Credit might be put into operation if and when the time arrived. It has always been held that until the conditions were known in which Social Credit would have to be instituted, it was premature and dangerous to lay down authoritative schemes lest the objective and the principles should be lost sight of in discussion of details which might, when the occasion arose, prove to be quite irrelevant.

The literature of Social Credit demonstrates in a number of ways that under our present economic system the amount of money available to would-be consumers to spend on the goods they want is not sufficient to pay for such goods at prices which will enable the sellers to recover all their costs—and no seller can for long afford to part with his goods for less than cost price. Social Credit also claims that the application of science to industry has removed much of the burden of production from the shoulders of men and placed it on to machinery, making possible not only a higher standard of living, but also a greatly increased leisure—a development which it regards as one to be welcomed.

Social Credit regards economic organization as that part of the structure of human society which deals with the production and distribution of goods and services, and teaches that the aim of such organization is (or ought to be) to supply as fully and efficiently as possible the goods and services people require—as when and where they require them. It is no essential function of economic organization to keep people out of mischief, or to supply work, or even to provide people with money, and the production and distribution of goods can only be carried out satisfactorily when industry ceases to be saddled with these additional jobs.

Three principles accordingly emerge: (a) The power of a community to produce or procure the goods and services its members require must be reflected in the equivalent power of its members to claim goods and services (more

Shortly, capacity to demand goods should equal capacity to supply); (b) The distribution to individuals of claims to goods and services must be progressively less and less dependent on "employment"; and (c) The control of the money supply must be vested in the people, and not left to a private institution directed by individuals who make the buying and selling of money one of their chief concerns.

It is generally considered by Social Creditors that these principles can best be embodied in our economic system by means of (1) a National Credit Office, (2) National Dividends and (3) the Just or Compensated Price.

*The National Credit Office* would be a department of the Treasury, keeping an account of the economic activities of the nation, i.e. of its total production and consumption. On this basis the Treasury would regulate the issue and withdrawal of money.

*National Dividends* would be paid periodically—possibly each month—to each citizen. They would be paid as a birthright, out of money specially created by the Treasury, and would be additional to any wage, salary or industrial dividend. As the country's power to produce goods and services increased, the National Dividend could be increased. If productive capacity decreased, the dividend would be correspondingly reduced or even discontinued.

*The Just or Compensated Price* is a device for counteracting inflation, and at the same time increasing the purchasing power of the people until it equals the productive capacity of industry. With the Just Price in operation, the price charged by retailers for their goods would be, not the present cost-plus-profit price, but such price multiplied by a price-factor obtained by dividing the total impoverishment of the country during a given period by the total enrichment—impoverishment including the consumption of goods, the wear and tear of machinery and exports; enrichment including all kinds of goods made, equipment erected and imports. The Treasury would reimburse to the retailers the amounts they were out of pocket by selling at the Just Price.

That Aberhart himself perfectly understands the underlying objective, principles and major instruments of Social

Credit can be gathered from the statement prepared by him and appearing in *The Canadian Almanack* for 1937.

"The objective of Social Credit is a more efficient distribution of the goods and services which our modern industrial and commercial system is capable of producing. Social Credit aims to bring consumption into line with actual and potential production by increasing effective purchasing power. The scientific principles upon which Social Credit is based are calculated to solve the problem created by the existence of abundance on one hand and of poverty on the other.

"The two major instruments upon which Social Credit relies for the attainment of this objective are the basic dividend and the just price. The basic dividend is a monthly credit to be made available to every adult citizen. This credit gives claim to goods and services, thereby increasing purchasing power and stimulating distribution. The just price is a scientific means of effecting price control so as to prevent exorbitant profits from depriving the consumer of the benefits to be derived from the credits issued through the basic dividends. The purpose of Social Credit is to return to the consumer the full benefit accruing from mass production which has been made possible by our collective form of society."

## VI. THE IMMEDIATE OBJECTIVE

When seeking to apply Social Credit to Alberta, certain important points have to be borne in mind: (a) Alberta is not primarily a manufacturing community—its principle products being agricultural; (b) Parts of Alberta are considerably less developed than others; (c) By the British North America Act of 1867 the Canadian Federal Government is given full control over currency and banking, while the Provincial Governments have control over property and contract. It will, then, be appreciated that a scheme which might be readily applicable to a fully industrialized community in control of its own finances may not be practicable in Alberta without substantial modifications.

What then were Alberta's fundamental problems? Presumably they were: (a) To develop her own resources without having to resort to external loans in order to do so; (b) To create an adequate home market for her own produce; and (c) To abolish poverty amongst Albertans by the distribution of adequate supplies of goods and services. But the immediate problem—a necessary preliminary to any attempt

to solve the others—was to obtain freedom from external control, whether by the Federal Government or by the holders of Albertan bonds.

## VII. DIFFICULTIES

Let us examine some of the difficulties facing Aberhart.

First, there is the fact already referred to, that the Provincial Government is not a substantive power in financial matters.

The possibility of applying Social Credit principles to a Province is something on which there is room for division of opinion even amongst the most convinced Social Creditors. The very fact that the British North America Act (the Constitution of the Dominion of Canada) reserved to the Federal Government the control of currency, the coining of money and the chartering of banks, seems to some people to dispose of the whole question.

Next, there are the various debts and external obligations which Aberhart's Social Credit Government inherited from its predecessors in office.

"The estimated direct obligations which Mr. Aberhart's Social Credit Government will face during the next seven months are summarized as:

Bonds and maturities, 5,200,000 dollars.

Bank loans, approximately 6,000,000 dollars.

Interest charges, 2,800,000 dollars.

Provincial share in unemployment relief, 1,250,000 dollars.

In addition, Alberta owes the Federal Government Treasury bills to the value of 18,000,000 dollars. It is estimated that 3,800,000 dollars will be required to meet the demands of buyers of Provincial Savings Certificates, payment of which was suspended a week ago. The provincial funded debt is now 148,000,000 dollars." (*The Times*, September 4th, 1935.)

Here was a legacy of debt and incumbrance. No wonder that Mr. Aberhart during his election campaign warned those who voted for him that he would not be able to put Social Credit into practical operation for eighteen months, as in the intervening period he would have to clear up the mess left by his predecessors.



Naturally, the arrival into power of a Social Credit Government caused considerable alarm among investors in Albertan securities. The day after the election there was a drop of from three to four points in each of the three loans of the Province dealt in on the London market. The following day the Premier of Alberta, Mr. R. G. Reid, who had not yet left office, announced the temporary suspension of payment of Alberta's Savings Certificates. (About 11,000,000 dollars were invested in such certificates, of which 5,000,000 dollars were demand certificates.) The text of the Government's statement, as given in *The Times* of August 28th, 1935, was as follows:

"Requests for payment of Savings Certificates have reached such proportions that they can only be met by measures involving questions of policy which must be determined by the new Government. The Government has already met abnormal demands for payment of such Certificates, and has on hand additional securities which could ordinarily be disposed of to take care of the present demands, but which are not now readily marketable.

"The Government, therefore, is notifying the public that the presentation of demands for payment must be withheld until the new Government can make the arrangements necessary to deal with the situation. At the same time, the Government wishes to assure holders of certificates and holders of debentures that the position of the Province is sound, and there should be no undue apprehension about the worth of Alberta's securities. Interest payments on debentures and certificates will be met as usual."

Mr. Aberhart himself issued a statement from Calgary reiterating the Government's assurance.

Thirdly, there was a tremendous amount of unintelligent criticism by the Press. Many editors were no doubt sincere in their criticism; they really believed "it couldn't be done." But the success of any financial system, whether orthodox or unorthodox, depends almost entirely on the confidence of the people, and continual criticism by the Press, however unintelligent, tends to destroy that confidence which it was so necessary for Aberhart to inspire and for the people of Alberta to place in the financial system which was shortly to be introduced.

It can hardly be supposed that this criticism was altogether ingenuous or uninspired. It has always been the policy of

finance to undermine confidence in any form of buying power issued outside the banking system, and considerable opposition to Aberhart appears to have been directed from Montreal and Toronto, possibly by the same powers who operated under the high-sounding name of "The Economic Safety League" during the Provincial elections.

The part played by the newspapers can be gathered from the following quotation taken from *The Times* of August 26th, 1935.

"The *Montreal Gazette* predicts the utter collapse of Mr. Aberhart's idea, and the eventual awakening of the people of the Province to an appreciation of reality. The *Toronto Globe* says that of the 'morning after' meditations that afflict Canada, not the least bitter is that Alberta has swallowed hook, line and sinker, what California, claimed as a home of half-baked hysterias, had rejected. The *Globe* says that the people of Alberta cannot expect the rest of the country to make sacrifices to support their fantastic experiment. The *Ottawa Journal* recalls that the Alberta electors, who have chosen Mr. Aberhart to make money for them, once engaged a Mr. Hatfield to make rain for them."

So much for the Canadian papers. The English papers, many of whom had their own reasons for not wishing success to Aberhart's endeavours, were pleasantly superior, or mildly sarcastic, according to their bent.

"The people of Alberta have done something that should make the Canadian general election of next month almost a thriller. . . . It is rather noble of Alberta to offer herself in this way for a surgical experiment that involves considerable danger to her vital organs. . . . It seems to be very doubtful if any Province can even begin to distribute the blessings of Social Credit, since the regulation of banking and currency rests with the Dominion Government of Ottawa. But even if the worst is thereby averted, Alberta will have a stiff enough price to pay for her flirtation with fairyland." (*The Observer*, August 25th, 1935.)

"Canadian provinces have, of course, no legal right to issue currency, and it is exceedingly improbable that the Federal Parliament would countenance the evasion of the law by any means at all. This is, in one way, a pity. A practical trial of Social Credit would demolish its pretensions. Unfortunately, it would also demolish Alberta. This would be too high a price to pay even for the discredit of Social Credit, much as those who are working for social reconstruction on Labour lines would like to see that will-o'-the-wisp extinguished." (*The Daily Herald*, August 27th, 1935.)

It will be seen, therefore, that the difficulties facing Aberhart were sufficient to daunt any spirit less resolute and less confident than his.

# VIII. FIRST STEPS

On August 29th, 1935, Aberhart arrived at Edmonton

"to confer with the Lieutenant-Governor and the out-going Government, armed with authority from his party Caucus to accept the Premiership. He has also been given a free hand to select a Cabinet within and without the ranks of the Party, and to decide what constituencies to re-open if by-elections are necessary. Mr. Aberhart is not himself a member of the Legislature. The Caucus, held in the Prophetic Bible Institute at Calgary, opened by singing 'O God, our help in ages past,' and with prayer." (*The Times*, August 30th, 1935.)

It was on September 3rd, 1935, that Mr. Aberhart actually took office as Premier of Alberta and Minister of Education, having already announced the composition of his Cabinet. Every member of the Government was selected with a view to his special fitness for the post he was called upon to occupy. The composition of the Cabinet was as follows:

Mr. William Aberhart:	Premier and Minister of Education.
Mr. John W. Hugill, K.C.:	Attorney-General.
Mr. William N. Chant:	Minister of Agriculture, and Minister of Trade and Industry.
Mr. C. C. Ross:	Minister of Land and Mines.
Mr. W. A. Fallows:	Minister of Railways, Telephones and Public Works.
Dr. W. W. Cross:	Minister of Health.
Mr. Charles Cockroft:	Minister of Municipal Affairs and Provincial Treasurer.
Mr. E. C. Manning:	Provincial Secretary.

Mr. Aberhart is a school-teacher by profession: Mr. Hugill a lawyer. Mr. Chant is a farmer, and Mr. Ross a mining engineer. Mr. Fallows is a station master, Dr. Cross

is a medical practitioner. Mr. Cockroft is a storekeeper and former accountant, and Mr. Manning is secretary to the Prophetic Bible Institute in Calgary. Every member of the Cabinet had, therefore, the advantage of a first-hand experience in the type of matters with which he would be called upon to deal. But although the members of the Aberhart Cabinet enjoyed the advantage of personal experience in their jobs, they were at a distinct disadvantage in the fact that no member of the Cabinet, nor indeed any of the Social Credit members, had ever sat in any legislative assembly before.

Mr. Aberhart was not bound by party ties in his choice of ministers. The Ministry of Land and Mines is a particularly important post, but the minister was not a Social Creditor, and was chosen because he was an outstanding engineer. It is unfortunate that Mr. Ross, after over fifteen months in the Ministry, felt it necessary to resign his post. He was generally regarded as one of Premier Aberhart's "finds."

One of the first acts of the new Government was to obtain the control of a daily newspaper and wireless transmitter, so that the people of Alberta, and those elsewhere who cared to do so, might be fully informed of the Government's activities and intentions. The taking-over of the daily newspaper *The Albertan* and incorporating *The Social Credit Chronicle* with it as a weekly supplement, was the new Government's first reply to the mass of misrepresentation circulated by the majority of the other daily papers throughout the Dominion and, unfortunately, in this country also.

The Federal elections for the Canadian House of Commons, which were held in the October following the Alberta Provincial elections, resulted in the return to Ottawa of fifteen Social Credit members out of the seventeen members elected for the Province of Alberta. But what must have been particularly gratifying to Aberhart and his followers was the fact that two of the members elected for the neighbouring province of Saskatchewan were also Social Creditors. Here, then, was a small but determined band of seventeen members in a position to express the Social Credit point of view in the capital of the Dominion itself.

## IX. DOUGLAS

What was the attitude of Major C. H. Douglas, the original exponent of Social Credit? How did he react to the situation caused by the election of the first Social Credit Government in the world?

To understand the position it is necessary to go back a few years. When Aberhart's propaganda first showed signs of being successful, Major Douglas was invited to Alberta by the then Government, the United Farmers of Alberta, and appointed by them as Principal Reconstruction Adviser. What exactly was their motive in inviting Major Douglas it is difficult to say with certainty. Perhaps they were sufficiently impressed by Aberhart's arguments to wish to investigate more closely the possibilities of applying Social Credit to Alberta. More probably they hoped that when Major Douglas arrived he would disown Aberhart and his scheme, and so discredit a dangerous political opponent.

Major Douglas left England on April 26th, 1935, to take up his duties, which were

"to advise and give directions upon all questions and problems of, or arising in relation to, the present financial and economic condition of the province of Alberta, and to advise and/or give directions upon any matters desired by the Government relating thereto."

We believe it is correct to state that Major Douglas's agreement with the Albertan Government nowhere mentions the words "Social Credit," or the production of any plan.

The first, and apparently the only, report made by Major Douglas in his capacity of Principal Reconstruction Adviser was submitted to the Government on May 23rd, 1935. It emphasized the distinction to be drawn between any particular plan for the utilization of public credit *when control had been acquired*, and the strategy for acquiring such control, and was confined to discussing methods of achieving access to the public credit. The report ended with the following paragraph:

"In general, and without at the moment going into too much detail, the preliminary steps to be taken in this direction are, in my opinion:

"1. The systematic provision of a news circulation system under the unchallengable control of the Province, particularly in regard to radio facilities of sufficient power to cover a wide geographical area.

"2. The organization of some Credit Institution, either under the Dominion Bank Act or otherwise, which will give access to the creation of effective demand through the Credit System, on principles already well recognized and established.

"3. Systematic organization directed to the accumulation of what, for the purpose of this report, may be termed 'foreign exchange,' i.e. effective demand not subject to attack as being recognizable as having been created in the Province."

So far as the first of these three recommendations is concerned, it will have been noted that Aberhart, prior to the election, made every possible use of radio to expound his views, and that practically the first step of the new Government was to take control of an authoritative news service of radio and journal. The reader must decide for himself how far the Alberta Credit House Act (see Section 13) and the barter negotiations with the British Columbia Co-operative Association and the Scottish C.W.S. (see Section 14) were attempts to conform with the spirit of the second and third recommendations.

With his preliminary report, Major Douglas sent a covering letter to Mr. Reid, the then Premier, in which he stated:

"In this report I have taken the line that action initiating in Alberta, though quite possibly not ultimately confined to Alberta, is both possible and desirable, and that such action must have, as its first objective, access to the financial credit which is properly based upon the resources and the people of Alberta itself. . . ."

"In regard to this matter, and assuming accordance with the general underlying policy, I should suggest that a mandate be asked as far as possible for objectives rather than for mechanism. These objectives, in my opinion, should be firstly, those contained in the last section of my first interim report, and should be supplemented by a statement of ultimate objectives, of which the following are fundamental:

"1. A drastic reduction of taxation, particularly upon real property.

"2. A maintenance dividend as of right, possibly small at first and graded so as to be at a maximum after middle age.

"3. Measures designed to produce a low price-level within the Province, and with adequate remuneration to producer and trader.

"4. Development of internal resources based rather upon physical capacity than upon financial consideration.

"All these objectives can be attained and can only be attained by access to control of the local credit."

Shortly after this Aberhart gave, in a broadcast talk, an outline of certain concrete proposals which he considered advisable as a means of obtaining Social Credit. Aberhart's proposals differed substantially from those of Douglas, although the ultimate objective was the same. Here, then, there appeared to be an opportunity for the Government to obtain from Douglas an official disclaimer of his embarrassing disciple. Mr. Lymburn, the Attorney-General, drew Douglas's attention to Aberhart's broadcast, and requested him to criticise. In reply Major Douglas wrote to Mr. Lymburn, under date June 1st, 1935, a letter from which the following is extracted:

"If Mr. Aberhart's objective were only attainable by the methods he has outlined in his broadcast, to the limited extent that I am familiar with them, the details he has given would certainly be of primary importance.

"This is certainly not the case, and should Mr. Aberhart be placed in a position of responsibility in regard to the attainment of these objectives, it is most improbable that he would either have the time or the inclination to deal with the purely technical aspect of the matter. While my contact with Mr. Aberhart has been of the slightest and is, in fact, confined to two short interviews in which only the most general aspects of the matter were discussed, I am informed that he also takes up this position.

"In addition to this, it has to be recognized that the correct methods of dealing with the technical problems involved in the attainment of the objectives put forward by Mr. Aberhart are difficult to bring to the comprehension of even a small number of highly-educated men, chiefly because they involve conceptions with which only a small number of experts are intimately familiar and because they traverse the common and erroneous conceptions held in regard to matters of finance.

"It appears to me to be quite reasonable to assume that a popular leader, as distinct from a scientific expositor, is chiefly concerned with presenting an understandable picture rather than with great accuracy of detail. . . .

"With these preliminary remarks, which I should like to be regarded as a part of my criticism of the attached paper, I may say that the explanation of the Just Price is not that which can be applied to the same phrase as used in the responsible literature of Social Credit, and that the explanation given can be described as a proposal for regulating price spreads together with a processing tax. . . .

"But as I have previously said, these ideas are not easy to put over to

large masses of people, and unless Mr. Aberhart was to persist in actually attempting to obtain an increase of purchasing power by the processes he discusses, I should not myself be inclined to take a political speech containing them with too much seriousness."

Judging from the foregoing letter, it would appear that in the opinion of Major Douglas, although some of Aberhart's proposals were wrong, his aims were right. With the political victory of Mr. Aberhart, it was, therefore, natural to look for co-operation between Major Douglas and Mr. Aberhart to put Social Credit into practice, and this hope was strengthened when the first Social Credit Government in the world received from Major Douglas, the day after the election, a cablegram reading: "*Others will follow; Alberta will always be first.*"

The hope was further strengthened when the *News Chronicle* of August 27th, 1935, two days after the election, published an interview with Major Douglas, from which the following extracts are taken:

"So you do not disown the Aberhart scheme?"

"No, not at all. When I met Mr. Aberhart I was impressed by his ability."

"But you have criticized his proposals."

"Yes. As a State official of the Alberta Government I was asked for my opinion, but my criticism was on points of detail. It must be remembered that Mr. Aberhart had an election to consider, and I have no doubt that he now realizes the necessity of proceeding in stages. . . ."

"Major Douglas admitted that the local, as distinct from universal, operation of his ideas would provide by no means ideal conditions for their success, but he was confident this difficulty could be overcome. . . ."

"Asked when he intended to go to Alberta, in response to Mr. Aberhart's invitation, to advise the new Government on the introduction of Social Credit, he replied that he was not yet in a position to say."

"I am a paid official of the Alberta Government," he repeated, "and any visit I may make will be in my capacity as Reconstruction Adviser."

## X. DOUGLAS AND MAGOR

"*Victory, when can you come?*" was Aberhart's cabled invitation to Douglas on the announcement of the result of the Provincial Election, and it was with surprise and in many cases with regret, that the world in general and Social



Creditors in particular waited when Major Douglas delayed his departure.

Major Douglas, no doubt, had adequate reason for postponing his visit; but what that reason was has never yet been made clear. Possibly he thought that his presence in Alberta was neither necessary nor desirable until Aberhart had accomplished the preliminary steps of asserting the right of the Province to control its own financial destiny. But if so, was it not for the Government to judge if and when it needed the services of its Reconstruction Adviser? Or possibly Major Douglas felt that, for the time being, he had already collected material sufficient to enable him to advise Aberhart from a distance. Or it may be that Douglas doubted the possibility of applying any substantial measure of Social Credit to Alberta, and did not wish to run the risk of being asked to produce a plan which, in his opinion, would be foredoomed to failure. Or perhaps Douglas was afraid of being compromised by his over-enthusiastic disciples.

There is another possible reason—one which we should hesitate to mention if we did not feel that it is of considerable importance. Douglas is a cool, level-headed, cautious engineer, the acknowledged founder of Social Credit thought, regarded with something akin to veneration by many of his followers. Aberhart is an ardent, impulsive hot-gospeller, burning with zeal: a man of action who, in the political field, had just produced results by methods not wholly commending themselves to Douglas: a man like Douglas, regarded with veneration by many of his adherents. This difference of temperament, outlook and achievement may account to a greater extent than either would care to acknowledge for the hesitancy of Douglas to collaborate with Aberhart.

Towards the end of October, Major Douglas wrote Aberhart to say that he would not visit Alberta that year, and Aberhart then expressed the hope that it would be found possible to call upon Douglas before the Spring to assist the Government to prepare a definite Social Credit plan. Later, on December 19th, a telegram was sent by the Cabinet asking their Reconstruction Adviser to come to Edmonton not later than January 6th, 1936.

But still Douglas waited. To quote a telegram to *The Times* from Edmonton, dated January 8th, 1936:

"Major Douglas is apparently not coming this month, as the Government desired. Telegraphed information to an Edmonton newspaper states that he is waiting 'until satisfactory arrangements are made for his visit.' Mr. Aberhart is unable to say what arrangements Major Douglas desires, but states that the Government are continuing negotiations in the expectation that he will soon decide when to come."

Meanwhile Aberhart, confronted by the financial muddle left by the United Farmers' Government, apparently came to the conclusion that it was necessary for him to clear it up before he could establish Social Credit on a sound foundation. Confronted also with the problem of introducing Social Credit alongside of the Dominion financial system, and with the clamour of external creditors, it is hardly surprising that Aberhart should think it necessary to render this part of Alberta's economy as orthodox as possible. By so doing he would give less excuse for external interference with the internal matters of the Province, and probably obtain more freedom to erect a superstructure of glaring unorthodoxy. Accordingly, when Douglas did not arrive, Aberhart called into consultation a Mr. Robert J. Magor, a Montreal actuary, and one who, more than any other, was likely to command the confidence of orthodox financiers.

"Mr. Magor is not only a big business man in Montreal and New York, but it was largely on his recommendation that Newfoundland surrendered its autonomy to Government by Commission in order to rehabilitate its finances, and that is something which Social Creditors and some others have never forgiven or forgotten." (*The New York Times*, March 8th, 1936.)

It was also natural that Major Douglas, as Reconstruction Adviser (even though he had not so far accepted Aberhart's invitation) should regard the calling in of Magor as a direct interference with his own position.

On March 4th, Aberhart sent the following further telegram to Douglas:

"Social Credit members in Caucus unanimously request you come Edmonton as per contract about March 30th cable reply."

The same day Major Douglas cabled the following reply:

"Desirous to assist please communicate to Caucus confidential sealed advice sent you Campbell also cancel additional suggested taxes substitute interim budget last year's basis reject loan council cable decision Caucus on foregoing Douglas."

Three days later Mr. Aberhart cabled in reply:

"Cannot discuss details by cable await reply re arrival March 30th Aberhart"

to which Douglas replied two days later:

"Early reduction of taxation on individuals and property. Rejection of loan council. Redemption and eventual extinction of Alberta's debt by Alberta's credit as explained. Not details but primary and essential steps to Social Credit and Social Dividends. Until policy agreed visit by me premature. Douglas."

Finally, after further cabled argument, a cable was received from Douglas on the evening of Sunday, March 22nd, which required the Government to scrap the new taxes and to accept a substitute adviser, but without stating the substitute's qualifications. Two days later, after a five-hour meeting of all members of the Social Credit Party, Mr. Aberhart announced that:

"The Government are reluctantly forced to cable Major Douglas expressing to him that the ultimatum in his cable has concluded the possibility of further negotiations."

Mr. Magor also ceased to be an adviser to the Albertan Government about the end of May 1936, though it is not known whether the Government or Mr. Magor ended their relationship.

## XI. THE ATTACK ON DEBT.

Early in his term of office Mr. Aberhart obtained a loan from the Ottawa Government to enable him to meet the more pressing liabilities inherited from his predecessors. On April 1st, 1936, however, 32,000,000 dollars of the Province's bonds became due for repayment, and Aberhart found himself under the necessity, if default were to be avoided, of appealing to Ottawa for a further loan.

About this time the Dominion Government proposed to set up a Loan Council to regulate the conditions on which Provincial Governments might obtain financial assistance. Had Aberhart seen his way to join the Loan Council, and accept the advice and supervision which this would have implied, he could probably have obtained the loan he required, but Aberhart felt—and rightly—that to join in the Loan Council would be to surrender the last vestige of Provincial autonomy in money matters, and that this was too high a price to pay for any concession or accommodation.

Up to the last minute Aberhart hesitated to allow default, and it has been suggested that when default was made it was against the judgment of Aberhart and the majority of his Cabinet, but under pressure from the Caucus. This is believed to have been the first case of default by a Canadian Province.

Although the matured bonds were not repaid the interest on them was paid in full. But already Aberhart, it is thought under the advice of Magor, was considering a compulsory reduction in the rate of interest on Alberta's debt.

On June 2nd, 1936, by virtue of the *Provincial Securities Interest Act*,\* a reduction in the rate of interest paid on all Albertan securities became officially effective. In effect, the Albertan Government cut interest rates on all outstanding securities by one-half. Albertan securities were unlisted on the London Stock Exchange, but Mr. Cockcroft, the Provincial Treasurer, remained unmoved, stating that such action affected dealers only, while Alberta was concerned to reach an agreement with individual bondholders.

The progress of the Albertan war on debt was summarized by *The Spectator* in its issue of October 23rd, 1936:

"To begin with, by Order in Council, the Province has provided for a cut in interest rates from provincial securities amounting to 50% which, however, are not to fall below 2% per annum. Again, subject to formal promulgation of the law, interest on municipal obligations has been reduced to 3%. In another direction, a creditor seeking to sue or to foreclose now loses his right to appeal to the court over the head of the Debt Adjustment Board, which happens to be a one-man Board. But the most drastic provisions of all are contained in the

\* Now declared unconstitutional. See Sect. 17 infra.

*Reduction and Settlement of Debts Act*,\* now actually in force. Under this law, debts contracted before July 1st, 1932, are classed as 'old'—and no interest is payable upon them. Furthermore, all interest paid thereon since July, 1932 is to be deducted from the principal, which itself is to be paid off in ten annual instalments. On 'new' debts, contracted since 1932, interest is fixed at 5% maximum. This law has created consternation among banks, insurance companies, mortgage companies, and all who do business in Albertan credits, not only because of its immediate effects, but also because of its influence upon the credit structure of the whole country."

Private holders of Albertan bonds were also hard hit by this legislation, and vocal in their resentment. A report published by the Alberta Bondholders' Committee stated that the Province could meet all its obligations for the then current year without drastic economies or new taxation and end up with a deficit of only 192,000 dollars. In such circumstances the committee saw no justification for a reduction of interest on Provincial obligations amounting to 2,300,000 dollars during that year and 3,600,000 dollars in future years.

On November 1st, 1936, £400,000 worth of bonds fell due, and Alberta defaulted again, having given up the attempt to borrow herself out of debt.

At the same time, holders of the Province's 4½% Registered Stock, when offered half the former rate of interest, were asked to discharge the Province from its liability for the whole of the interest then due, and to accept thereafter interest at the reduced rate. The Bondholders' Committee strongly recommended bondholders not to give any discharge to the Province for the full amount due. But whether or not their advice was followed to any great extent we are unable to state.

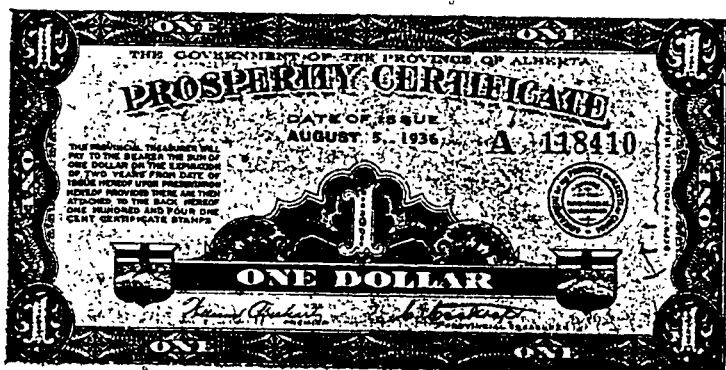
## XII. PROSPERITY CERTIFICATES

To many Social Creditors it seems strange that Aberhart's earliest constructive venture into unorthodox finance was based on an idea taken from the teaching of Silvio Gesell. Early in August 1936, Aberhart issued his first Prosperity Certificates of the nominal value of one dollar each. To

\* Now also declared unconstitutional. See Sect. 17 infra.

maintain the face value of such certificates it was necessary that each one should have a one-cent stamp affixed to it every week, so that at the end of two years 104 cents' worth of stamps would have been affixed to each dollar certificate. The final holder would then have been able to redeem it, receiving an ordinary Dominion dollar without further payment.

The reception which this innovation received from the Press of Canada was mixed, varying from jocular incredulity that such a device could work, down to definite misrepresentation. Yet, whatever the merits or demerits of the



Prosperity Certificates, they at least provided the necessities of life for those who received them; they also afforded a practical denial of the prerogative of the banker to control the credit of the Province. Further, by their very nature, such certificates avoided confusion with the Dominion dollar, and were admittedly not money, so that there was no excuse for declaring that the provisions of the British North America Act had been broken.

The certificates were attacked on many grounds. They were said to impose a penalty on thrift—but even orthodox experts are beginning to look askance on hoarding and saving. The weekly 1% might be, in effect, a sales tax; but sales taxes have become a recognized source of revenue in many countries, if only in the form of import duties.

These self-liquidating certificates also forestalled the criticism levied (whether rightly or wrongly) against the Social Credit proposals, that they would lead to a vast accumulation of unspent money and to hoarding.

Prosperity Certificates were not issued to any great extent—just over a quarter of a million dollars were put into circulation. But even that was of considerable benefit to a Province in which the shortage of money was so acute. And, although not Social Credit themselves, the issue of such certificates was designed to pave the way for the introduction of Social Credit.

Early in October 1936, Mr. Thorwald Siegfried, a Los Angeles lawyer, had a business trip in Alberta, and on his return published a short statement entitled *What I Saw of Social Credit in Alberta*, from which the following is taken.

"A business trip to points between Calgary and Edmonton brought Alberta's Social Credit programme forcibly to my attention. One can hardly buy any gasoline, food or other goods without an exhibit and discussion of Prosperity Certificates. Serious talks about private business can only rarely avoid extended reference to the Government's new policies. . . .

"Thousands of men have been put at work on highways, weather permitting, and are paid in Prosperity Certificates of one dollar each, on the back of which a one cent stamp must be posted each week for 104 weeks. The Provincial Treasury sells the stamps and redeems the certificates. In a debt-saturated community such certificates pass naturally from the debtors to their creditors, first for food, then for rent, then for interest. They have the effect of a tax on creditors to sustain debtors who work on the roads. Their effects do not stop there; the Province buzzes with talk about them, and gradually Albertans learn what money is, and what is not money. . . ."

Of course, there were weaknesses in the scheme, apart altogether from the general question as to whether or not there was sufficient confidence in the certificates to induce people to accept them. Taxing currency by means of stamps does not greatly affect the economic problem in a country that mainly uses bank credit—unless bank deposits are also taxed at a corresponding rate. Taxation of any sort is unwelcome to the majority of Social Creditors, but there may be occasions on which taxation is necessary to attain a definite objective, and the issue of an abundance

of certificates would presumably render the payment of a given volume of taxation considerably easier than it is at present.

In short, the issue of Prosperity Certificates was a notable gesture; it achieved a decided, if small, success, and it definitely demonstrated that the banking system was not the sole repository of the Province's credit. In April, 1937, however, the outstanding certificates (approximately only 12,000 dollars' worth) were redeemed; presumably in compliance with the wishes of those members of the Social Credit Party who desired to disassociate their movement from the "heresies" of other schools of monetary reform.

### XIII. CLEARING THE GROUND

Although postponing for the time being the fulfilment of his promise of basic dividends for every Albertan, the first year of Aberhart's Government was a year of action. Much was done to meet the difficulties inherited from the previous Government; much was done to relieve the position of the debtor classes, and there was much social legislation.

"At the Legislative Session which met in February last (1936), over one hundred Bills were made law. Many of these measures broke new ground. Notable among them all was the Social Credit Measures Act, which made provision for an enquiry into the most feasible plan for Provincial Social Credit. A Recall Bill was also passed, as was a measure to refund the Provincial debt at lower interest rates. The rejection of the proposed Loan Council (a banker's device to destroy the financial autonomy of the Province) was complete and final. Although it meant loss of immediate monetary and credit privileges, the Government did not hesitate to show their disapproval of this thinly-veiled attempt to destroy the Social Credit movement in the Province." (*Stark*, p. 9.)

On Thursday, September 3rd, 1936, the Hon. E. C. Manning introduced into the legislature a measure known as *The Alberta Credit House Act*.

"This Measure provides machinery for implementing the promises of Social Credit members to their constituents, and makes provision for a Basic Dividend; credit houses will be set up in every part of the Province and managers for the same appointed. It also provides for a Province-wide registration of citizens, and calls upon all to register,



though no one is compelled to register or receive the benefits of Alberta credit unless he so desires. Information sheets containing questionnaires for farmers, manufacturers, retailers and others are filled in, and give a fairly accurate idea of the present and potential productivity of the Province." (*Stark*, p. 11.)

The New York paper, *Money* (December 1936) quotes from a series of Associated Press articles on the preparations for installing a Social Credit regime in Alberta, as follows:

"In order to participate in this hitherto untried plan, one has to sign a covenant, undertaking co-operative obligations. The period of registration ended September 30th, and will not reopen again until next June. . . .

"Complete figures for registration have not been compiled, but Provincial Secretary Ernest Manning said he believed they would exceed 378,249—the number of men and women registered at the last election. The potential number of people eligible to sign covenants is estimated at 400,000. . . .

"Every covenantor will, if the programme works, receive a monthly income or 'basic dividend' from the State. The figure has not been determined, but it is officially said that the initial dividend may be between five dollars and ten dollars. This will be increased as conditions warrant. . . .

"Each participant will have a pass-book, showing what his credit—that is, his deposit—amounts to. If he wishes to make a purchase he will write a draft against his credit and give it to his creditor. The creditor in turn will deposit this draft in his account, and draw against it for his personal needs. . . .

"It is important to note that the total credit available, which will be handled through a Government Credit House—that is, a sort of bank—will consist of much more than the basic dividends. Citizens participating in the scheme have to sign a covenant, a sort of contract, with the Government. Under this compact, wage earners, business men and farmers agree to-day, in addition to the basic dividends, that they will deposit a certain part of their incomes in the Credit House to purchase credit. Obviously, the big business man or wheat farmer will establish much more credit than the little fellow—a day labourer, for example. . . .

"With credit constantly circulating, consumption will be increased, it is claimed. This in turn will stimulate production and result in the establishment of new industries; the wealth of the Province will increase. Actual cash needed for external operations will come into the Province—mostly into the hands of the Government—through exports, such as wheat, and payment for services rendered by citizens to people outside the Province."

In the covenant between the Government and the farmers of Alberta, the farmer, on registration, agreed to produce as much as possible of goods for consumption in Alberta,

or elsewhere if there was a surplus. He promised to co-operate with the Government in planning and producing the goods required by the Province, and regulating the prices at which they are sold. In future it was intended that there should be no slaughter of pigs, no ploughing under of crops, no restriction of production to meet merely financial requirements.

The farmer further agreed that, if called upon to do so, he would sell at least 50% of what he produced in excess of his requirements or those of his immediate dependents, within Alberta for Alberta credit, provided that the price obtainable was at least equal to the general marketing price. Figures of sales and purchases and other information must be given when required by the Government, and the registrant undertook to make no demand at any time for exchange into Canadian money of any Alberta credit held by him; nor to tender Alberta credit in payment of Provincial taxes, etc., until such time as the Government should be in a position to accept all or part of its taxes in such manner. The reason for this was that the Government had still to meet its indebtedness in legal tender or bank credit. Finally, the farmer promised that if he received a bonus in any sale of surplus products, he would deposit the proceeds of sale together with the bonus in the Credit House or official bank of the Government.

But the commitments were not all on the part of the farmer. On its part the Government agreed:

"1. To encourage Alberta producers by establishing and maintaining a just price for Alberta products so that the producers may be assured a fair commission above the actual cost of production.

"2. To increase to the greatest extent possible the sale of Alberta products by issuing Alberta credit in dividends and otherwise, which is intended primarily for use in purchasing Alberta-made goods and products, and the payment for services rendered.

"3. To give, from time to time, bonuses in Alberta credit to the Albertan producers so that they may be able to compete on the world's market in the sale of the surplus products.

"4. To assist the farmer or producer by granting interest-free loans, in Alberta credit, on such terms and security as shall be mutually agreed upon, not exceeding 2% for administration charges, for use in production of Alberta goods.

"5. To organize feeding associations, commission merchants, or other agencies for the purpose of exchanging for the producer his surplus products and importing goods not made here.

"6. To redeem, when possible, Alberta credits with Canadian currency for the purpose of machinery replacements, change of residence outside the Province, travelling and other essential requirements." (See *Money*, November, 1936.)

The number of citizens who signed the covenant pledging themselves to use Alberta credit, exceeded the most sanguine expectations of the Government. In addition to the majority of the consuming public, 85% of the manufacturers signed up, and about the same proportion of primary producers. Then, however, difficulties began. The banks suggested to those who had signed that if they handled Alberta credit in any form, their bank credit would be shut down completely. As the majority of manufacturers and primary producers were in debt to the banks, they began to get cold feet and many—in fact, the majority of them—sent in requests to the Government asking to be absolved from their pledges.

#### XIV. BASIC DIVIDENDS

One of the promises made by the Social Credit Party at the Provincial Election was that they would provide for the distribution of a basic dividend to every man, woman and child, employed or unemployed, young or old. In the fervour of the Election, it was even suggested that such dividends should be at the rate of twenty-five dollars per month, although subsequent reflection in a cooler atmosphere reduced this estimate considerably. It is impossible to deny that this promise of basic dividends was a cardinal attraction of the party programme, but so far there have been tantalizing postponements of the actual issue.

We can only suggest possible reasons for the delay in starting the issue of basic dividends. In the first place, during the election, Aberhart emphasized again and again that he would require time to clear away the difficulties that any party victorious in the election would inherit from the previous Government, and suggested that not for eighteen months at least would it be possible to begin the

issue of dividends. This period proved an underestimate, for the difficulties to be cleared up and the opposition to be overcome were greater than even Aberhart had anticipated.

Then there was the necessity to arrange for an adequate supply of external goods to be purchasable with the dividends. Had Albertan production been of a more general nature this might not have been so essential, but Alberta produces wheat to a predominant extent, and Albertans cannot live on wheat alone.

In August 1936, therefore, Aberhart announced that negotiations with the British Wholesale Co-operative Societies would be opened within the next month to arrange the exchange of British manufactured goods for Alberta's wheat and beef. Shortly afterwards, two directors of the Scottish C.W.S. conferred with the Government at Edmonton, while a similar discussion took place between the Albertan Government and members of the British Columbia Co-operative Association, which associated itself with the Social Credit movement. Naturally, there must be a considerable lapse of time before the effect can be felt, and this may also have been partly responsible for the delay.

Then, again, there was the tremendous task of tabulating the returns from the registration—co-ordinating the multitude of individual items relating to the financial position of the registrants and their capacity for production and distribution of wanted goods. The response to Aberhart's invitation to register was so striking that tabulation of the returns took longer than anticipated.

Again

"The illness of the Hon. Ernest C. Manning, Alberta's Minister of Trade and Industry, whose office is charged with the implementation of Social Credit dividends, has occasioned further delay in the first apportionment of the dividends. The Hon. W. W. Cross, Minister of Health, who is also in charge of relief, has taken over direction of the activities coming under the Alberta Credit House Act, which is the measure under which the Social Credit plans are being carried out." (*Money*, December, 1936.)

Lastly, there was the continued drought on the Southern prairie.

"The year 1936, unfortunately, showed another year of withering drought. This, in some areas, is the sixth successive year, and in many parts this year has been the worst. In Southern Alberta alone, 8,000,000 acres of land have been abandoned, due to lack of water. Settlers in these areas are absolutely without anything—money, food and clothes. It is estimated that 200,000 people are affected in this continued disaster. . . .

"The cattle from these stricken areas are being shipped to other parts of Canada, or are being slaughtered. Over 20,000 head of cattle have been shipped to Eastern Canada so that they may receive nourishment there. There has been water neither for man nor beast. In many sections, grasshoppers in great clouds, which literally darken the sun, have swooped down upon the barren land. Winds pick up the dust and soil from the farms and carry it in black blizzards hundreds of miles away." (From an article by the Bishop of Athabasca.)

Here, indeed, was a great national impoverishment which must have interfered sadly with the Government's plans. Quite possibly the impoverishment was such that no issue of basic dividends was justifiable for the time being.

Fortunately, towards the North of Alberta there has been no drought, and good crops have rewarded the labours of the settlers. Especially in the Peace River area there has been an increase in productive activities which may well save the situation in the long run. The development of new areas, however, takes time; the failure of the crops in the established areas is an immediate disaster.

Writing at this distance, and without more knowledge of Aberhart's circumstances, we can only put forward the foregoing as suggestions why the promise to issue basic dividends was not fulfilled within the time stated.

## XV. THE JUST PRICE

Although it is clear that Premier Aberhart understands exactly what is meant by the Just Price in what may be termed "orthodox" Social Credit literature, he apparently has reasons for thinking that some other form of price control or price regulation is temporarily more appropriate in Alberta's circumstances. This was apparent even before the election. It will be recollected that when, in the course of his propaganda, Aberhart touched on the question of the

Just Price, his exposition was not such as to commend itself to Major Douglas.

Now basic dividends and price regulation are complementary in the Social Credit scheme of things. It is realized that the issue of dividends without price regulation would probably be followed by a rise in prices cancelling out much of the benefit. In October 1936, therefore, as a preliminary to the issue of basic dividends, the Government introduced an Act instituting the "Price Spreads Board." Included in the Act are the following clauses:

"3. The Board shall, when so directed by the Minister, and may, upon its own initiative, enquire into any matter relating to the production, manufacture, supply, distribution or sale by wholesale or retail of any goods, wares or merchandise to which this Act applies, or may hereafter apply or into any matter relating to any trade or industry to which this Act applies or hereafter shall apply.

"4. After making such enquiries, the Board may by order fix and prescribe

- (a) Maximum or minimum prices, or both, at which such goods, wares or merchandise shall be purchased or sold, whether by wholesale or by retail; or
- (b) Maximum or minimum prices, or both, to be charged for services rendered or work done in any of the trades to which this Act applies or shall hereafter apply;
- (c) Areas of the Province to which any such order shall apply, and in so doing may affix different maximum prices for different areas." (*The Albertan*, October 17th, 1936.)

It will be appreciated that here is something different from the Just Price of Major Douglas. The Aberhart project was one of controlled prices. The Douglas proposal is one to regulate the price of goods directly in accordance with (1) the cost of their production and (2) the value of national consumption; and inversely as the value of national production. Douglas visualizes sale-below-cost with reimbursement to retailers. Aberhart is apparently content to let goods be sold at a price which includes all costs and a fair profit, and the question of reimbursement to retailers does not appear to be included in the above scheme.

Among Social Creditors this difference has led to much heart-searching. The more "orthodox" are apt to condemn Aberhart's ideas as unsound, and to conclude either that

he does not understand Social Credit, or that he is afraid to put it into practice. On the other hand, many Social Creditors feel that Aberhart, on the spot, probably knows the situation best; that his method of price control would probably prevent the grosser abuses of inflation, and might very well be a stepping-stone to the Just or Compensated Price as Social Creditors know it.

## XVI. THE CABINET

No survey of the situation in Alberta would be complete without some further reference to the men who, at any rate during the early stages, co-operated with Aberhart in carrying through the very radical measures of reform already outlined. The following description of the various members of the Aberhart Cabinet is taken from *The Financial Post* (Toronto) of November 21st, 1936.

"The Cabinet Ministers in Alberta are not by any means all Social Creditors. It was possible a few months ago to divide the Cabinet two ways, into Right Wingers and Left Wingers. A certain line-up of Ministers was presented. A division that would then have applied no longer does, as there have been switches. But the line-up below is probably not inaccurate to-day:

*"Right Wing or Moderate:*

"Hon. C. C. Cockcroft, Provincial Treasurer and Minister of Municipal Affairs, who is more concerned with seeing Alberta through than with making it a site for a new paradise.

"Hon. C. C. Ross, Minister of Land and Mines, who is not a Social Creditor, never was, and cannot even be induced to discuss the subject.

"Hon. W. N. Chant, Minister of Agriculture, Minister of Water Resources and Irrigation, once a Social Creditor and a member of the Left Wing group; now a convert to more practical beliefs.

*"Left Wing or extremely Radical:*

"Hon. Dr. W. W. Cross, Minister of Public Health.

"Hon. W. A. Fallow, Minister of Public Works.

"Hon. Lucien Maynard, Minister without Portfolio.

*"Neither Right nor Left:*

"Hon. William Aberhart, Premier and Minister of Education.

"Hon. E. C. Manning, Minister of Trade and Industry, and Provincial Secretary.

"Hon. John W. Hugill, K.C., Attorney-General."

This division is given by a newspaper which is opposed to the Aberhart regime, but there is little reason to doubt

the accuracy of the division in its broad outlines. It is, perhaps, not so easy to rely on a further comment, taken from the same article, which is, however, worthy of repetition as throwing some light on the situation.

"Mr. Aberhart is not the master in his own house. This statement makes him furious, but it is true. If he were master, the situation in Alberta would be much less disturbing, the legislation would be much less radical, and the menace of present Albertan events to Canadian stability would be much less sinister."

The difficulties foreshadowed by the foregoing were emphasized by the resignation of Mr. C. C. Ross, the Minister of Land and Mines, during the early days of 1937. It was stated in Edmonton that Mr. Ross was opposed to certain radical tendencies of the Cabinet, and in particular to the opinions of Mr. Lucien Maynard, Minister without Portfolio. Mr. Ross was succeeded as Minister of Land and Mines by Mr. Nathan E. Tanner, the Speaker of the House. Tanner is a schoolmaster, having been Principal of the school at Curdston until his election in August 1935. He is 38 years of age and looks younger. Perhaps his most curious characteristic—to English minds—is that he is a Bishop in the Church of Jesus Christ of Latter Day Saints. He stated that the policy of his department would remain unaltered.

Shortly after Mr. Ross's resignation came that of Mr. Cockcroft, Provincial Treasurer and one of Aberhart's staunchest lieutenants, "for business and health reasons," followed only three days later by that of Mr. J. F. Percival, the Deputy Provincial Treasurer. This was a severe blow to Aberhart. The Legislative Assembly was due to meet on February 25th, and the budget and estimates were in course of preparation. With the session only three weeks distant, Aberhart was faced with the necessity for appointing a new Provincial Treasurer and a new Deputy.

## XVII. DOUBTS AND DISCOURAGEMENTS

Early in January 1937, the Government Planning Committee, which consisted of Messrs. Cross, Fallow and Maynard (all members of the Cabinet), and a Mr. Ansley, issued their report on the measures which they considered



most appropriate to introduce Social Credit. John Hargrave, head of the one-time Green Shirt Movement (now calling itself the Social Credit Party of Great Britain) who was on a visit to Alberta, was invited to give technical advice, and was no doubt largely responsible for the enunciation of the following eleven principles:

"1. The issue of Alberta debt-free money which would be negotiable within the Province.

"2. Establishment of a Central Credit House in Edmonton with branches throughout the Province, to function in some respects like an ordinary chartered bank.

"3. A retail price discount system. Retailers would deduct the discount from their prices and be reimbursed by the Government for that amount, the Government paying Alberta money.

"4. Operation of a Government Propaganda Bureau.

"5. Extension of legislation adjusting public and private debts.

"6. Reduction of taxation by the issue of interest-free money to take its place.

"7. A Provincial wholesale set-up to be formed to handle the import and export trade of Alberta. In brief, this Bureau would buy wheat, for instance, from Alberta farmers, paying Alberta money for it. The wheat then would be sold outside the Province for Canadian currency which could be used in future trading.

"8. Interest-free loans for inside the Province, either in Alberta money, or the surplus of Canadian currency piling up in the Treasury.

"9. Monthly dividends of five dollars to every citizen of Alberta who has registered. Dividends would be paid in Alberta money only.

"10. Alberta money would be made acceptable by law, forcing men and women to accept it for debts on penalty of the debts being liquidated to the amount offered.

"11. Preservation of the natural resources of Alberta by setting aside an area which could be developed only through a Social Credit financial system, and not by outside capital." (*The Edmonton Journal*, January 7th, 1937.)

Proposals so drastic evidently needed long and careful consideration, and while the Cabinet was still discussing the committee's report (*vide The Albertan* for February 6th, 1937), Hargrave, apparently convinced that the plan would not be accepted, withdrew from collaboration with the Government, and issued to the Canadian Press a statement warning the world that failure to use right methods was jeopardizing the chances of getting Social Credit put into force.

But resignations and recriminations are not the only

difficulties Aberhart has had to face. In the middle of February 1937, the "*Reduction and Settlement of Debts Act*"\* was declared *ultra vires* by Mr. Justice Ewing of the Alberta Supreme Court. A week later the "*Provincial Securities Interest Act*,"\* under which the Government reduced rates on the Provincial Bonds from an average of 4.9% per annum to 2.5% per annum, was also declared *ultra vires* by Mr. Justice Ives on the ground that the whole matter of interest rates lay outside Provincial jurisdiction under the British North America Act of 1867. So Roosevelt is not the only legislator whose reforms are hampered by a written constitution!

On February 28th, 1937, Aberhart admitted his failure to establish Social Credit in Alberta in the eighteen months time limit he set in his election campaign. He said:

"At the time of the Provincial Election in Alberta, previous to August 1935, I made you a definite promise. I made it, not for the purpose of gaining your support, but for the reason that I wanted to give you definite assurance that you would be making no mistake in honouring us with your confidence. That you did splendidly. . . .

"I promised our supporters faithfully that in eighteen months I would try to establish Social Credit in Alberta, and if for some reason I were unable to do so, I would tell them frankly, and leave the matter in their hands whether I should continue my efforts further or resign. Next Tuesday, March 2nd, the eighteen months will have passed and, as you know, in spite of all our efforts, we have been unable to introduce Social Credit as we had hoped. Probably the reasons for our failure are more or less evident to you. Conditions were somewhat worse than we had expected. Opponents and blocking tactics have been even more determined than we had anticipated; sickness, resignations and other causes have disturbed our planning. However, be that as it may, the fact remains we are unable to accomplish what we had hoped in the time stated.

"I therefore frankly state the facts in fulfilment of my promise, and I shall expect to hear from our supporters what they desire us to do. I am not asking our opponents what they think, for they had nothing to do with our election and had nothing to do with my promise. . . . May I assure you we are not throwing up our hands? Some have told us that we should not have bothered about any political promises; that they are never kept, anyway. My promise was not a political promise nor anything of the kind. I meant it when I said it, and I shall abide by it.

"If our supporters desire another party in power, or another leader to direct affairs, I should like to know.

\* See Sect. 11 supra.

"We are more and more convinced that the new economic order can only be introduced by constant and gradual pressure until our people realize its true worth and full value. We are still anxious to continue our endeavours, and you can be assured of honest Government." (*The Christian Science Monitor*, March 2nd, 1937.)

There is no need to think that this is "the beginning of the end." In fact, it may well prove to be "the end of the beginning." We cannot be sure. We can only hope and trust—doing everything in our power to clear away that fog of misunderstanding and suspicion which dares to doubt the sincerity of Aberhart, or his grasp of the essential objectives of Social Credit. Aberhart knows what he wishes to achieve. But, indisputably, many Social Creditors, both in England and Alberta, are disappointed in the way in which he set out to "obtain results."

### XVIII. THE OUTLOOK

On this note, then, we end our account of the first eighteen months of Aberhart's administration—a period during which it became increasingly obvious that to be in office is not the same as to be in power. The negotiations between Aberhart and his followers which occupied the next few weeks are still too recent to be viewed in proper perspective.

The disappointment felt by many of his party with the results achieved under Aberhart's leadership led to a demand for a more intensive application of Social Credit, and an alternative leader was even named. Aberhart, however, with his more gradual policy, is probably regarded by financiers as a more dangerous opponent than any successor pledged to bring in full-blooded Social Credit where circumstances render its full development virtually impossible. If so, this will explain the almost ghoulish eagerness on the part of the Press to announce Aberhart's resignation. But Aberhart, impressed by the demand for more intensive Social Credit—a demand probably in tune with his desire, if not with his judgment—has felt that he can best serve Alberta by remaining in office to guide the Province along the altered course.

So ends the first phase of Alberta's gallant attempt to

work out her economic salvation on Social Credit lines. But what of the future?

At present there is a great drift of population from the South into the North of Alberta. It is probable that future years will see the movement intensified. Nor is it hard to find an explanation, for in the North there have been

"discoveries of rich deposits of silver, gold and pitch-blende. At Fort McMurray in the North of Alberta there have been discovered over a thousand square miles of bitumenous sand, which are now being opened up and developed. This is the world's largest area of tar sands. Salt mines have been discovered in the same district and are being partially worked. . . .

"The discovery and operation of these mines, along with the necessary transportation of supplies and ores, have called hundreds of men northward. The boats on the rivers and the fleets of planes by air have opened up this north country as never before. Fort McMurray is now the largest commercial air base in Canada. Last year the planes flew through nearly one million miles." (Bishop of Athabaska.)

Alberta is an empire in miniature, only partially developed as yet, but containing almost unlimited potential resources. The Peace River section alone could, if properly developed, supply all the wheat and cattle that Canada needs. Alberta's credit is based, not on any financial chimera, but on her great natural wealth and the productive ability of her people.

Impartial observers may be impressed by the failure of Aberhart to introduce Social Credit within the period he set himself. And even Social Creditors (unless fortified by a wide knowledge of public affairs and a sound understanding of the principles and implications of their theory) are liable to be influenced by opinions expressed in the newspapers. They may even forget that Alberta is not alone in her struggle. Saskatchewan has, we have seen, two Social Credit representatives at Ottawa. In July 1936, five Social Credit members were elected to the Legislative Assembly of Manitoba. British Columbia is said to be ready to follow suit. And not only is Canada becoming fired with the hope that Social Credit kindles, but in the United States, in Australia, and particularly in New Zealand these ideas are also taking root. The dilemma inherent in the essential inability of people to buy what they can produce

is more and more widely recognized, and a variety of expedients are being tried to overcome this disparity.

Behind all these movements is a healthy, instinctive and growing resistance to financial domination. Supporting Aberhart's struggle, therefore, is a political dynamic as well as an economic doctrine. Alberta's fight is that of a political dependency for financial autonomy, and even though Aberhart and his Government fall, the struggle will certainly be renewed with added experience and better strategy. The restrictions of orthodox finance will never again be for long unchallenged, either in Alberta or elsewhere, until they are finally discarded, as completely as all other taboos and fetishes which, useful in their days, have survived to enchain mankind by the force of delusion.